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STATEMENT BY MICHAEL McCURRY/SPOKESMAN

CHINA/PAKISTAN: M-11 MISSILE SANCTIONS

THIS MORNING, UNDER SECRETARY OF STATE FOR INTERNATIONAL SECURITY AFFAIRS LYNN E. DAVIS PRESENTED TO THE GOVERNMENTS OF CHINA AND PAKISTAN THE DETERMINATION OF THE U.S. GOVERNMENT THAT CHINESE AND PAKISTANI ENTITIES HAD ENGAGED IN MISSILE-RELATED TRANSFERS THAT REQUIRED THE IMPOSITION OF SANCTIONS AGAINST CERTAIN CHINESE AND PAKISTANI ENTITIES UNDER U.S. LAW. THIS DECISION FOLLOWS A CLOSE EXAMINATION OF THIS ISSUE OVER SEVERAL MONTHS BY THE ADMINISTRATION AND REPEATED CONTACTS WITH BOTH GOVERNMENTS IN AN ATTEMPT TO CLARIFY NUMEROUS REPORTS FROM MANY SOURCES ABOUT AN M-11 MISSILE RELATED TRANSFER FROM CHINA TO PAKISTAN.

U.S. LAW CALLS FOR THE IMPOSITION OF SANCTIONS ON FOREIGN PERSONS WHO KNOWINGLY TRANSFER, TO A NON-MTCR COUNTRY, MISSILE CONTROL TECHNOLOGY REGIME (MTCR) ANNEX ITEMS THAT CONTRIBUTE TO DEVELOPMENT OF MISSILES CAPABLE OF CARRYING A PAYLOAD OF 500 KILOGRAMS A DISTANCE OF 300 KILOMETERS.

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CHINA/PAKISTAN: M-11 MISSILE SANCTIONS

Q. Why are you imposing sanctions now?

A. -- WE WANTED TO BE CONFIDENT ABOUT OUR INFORMATION.

**WE RAISED OUR CONCERNS WITH BOTH GOVERNMENTS
MANY TIMES, BUT RECEIVED NO SATISFACTORY RESPONSE.**

- IN MAY, ASSISTANT SECRETARY FOR EAST ASIAN AND
PACIFIC AFFAIRS WINSTON LORD DISCUSSED THE
QUESTION WITH SENIOR CHINESE OFFICIALS.**
- LAST MONTH, SECRETARY OF STATE CHRISTOPHER RAISED
OUR CONCERN WITH THE CHINESE FOREIGN MINISTER IN
SINGAPORE.**
- DURING HER JULY VISIT TO BEIJING, UNDER SECRETARY
FOR INTERNATIONAL SECURITY AFFAIRS DAVIS AGAIN
PRESSED THE CHINESE GOVERNMENT TO CLARIFY THE
NATURE OF THE NOVEMBER SHIPMENT. WHEN THE
CHINESE FAILED TO DO THAT, WE HAD NO OTHER CHOICE
BUT TO RELY ON THE SUBSTANTIAL EVIDENCE WE HAD
ACCUMULATED.**

+ -- MORE --

IN THIS CASE, THE U.S. GOVERNMENT HAS DECIDED TO
IMPOSE WHAT ARE CALLED "CATEGORY II" SANCTIONS.
CATEGORY II SANCTIONS ARE IMPOSED IF THE TRANSFER
INVOLVES DUAL-USE ITEMS IN THE MTCR ANNEX WHICH
CONTRIBUTE TO MISSILE DEVELOPMENT.

CATEGORY II SANCTIONS REQUIRE DENIAL OF NEW EXPORT
LICENSES FOR MTCR ANNEX ITEMS, BOTH MUNITIONS AND DUAL
USE ITEMS, AND DENIAL OF U.S. GOVERNMENT CONTRACTS
RELATING TO MTCR ANNEX ITEMS WITH THE SANCTIONED
ENTITIES FOR TWO YEARS.

— ALTHOUGH YESTERDAY'S DETERMINATION IMPOSED
CATEGORY II SANCTIONS, WE WILL NOT HESITATE TO MAKE
A CATEGORY I DETERMINATION IF WARRANTED BY
SUBSEQUENT INFORMATION.

(IF PRESSED)

Q. What evidence did you have about the sale?

A. — WHILE I DO NOT WANT TO COMMENT ON INTELLIGENCE
MATTERS, I WOULD NOTE THAT THE ACCUMULATION OF
EVIDENCE WAS SUCH THAT IT WAS NECESSARY UNDER U.S.
LAW TO PROCEED TO SANCTIONS.

Q. What do the sanctions provide?

A. -- CATEGORY II SANCTIONS REQUIRE:

- DENIAL OF NEW EXPORT LICENSES FOR MTCR ANNEX ITEMS (BOTH MUNITIONS AND DUAL USE ITEMS) TO THE SANCTIONED ENTITIES FOR TWO YEARS; AND
- DENIAL OF U.S. GOVERNMENT CONTRACTS RELATING TO MTCR ANNEX ITEMS WITH THE SANCTIONED ENTITIES FOR TWO YEARS.

- IN THE CASE OF CHINA, THE HELMS AMENDMENT TO THE MISSILE PROLIFERATION SANCTIONS LAW REQUIRES THAT SANCTIONS FOR MUNITIONS EXPORTS AND U.S. GOVERNMENT CONTRACTS BE EXTENDED TO "ALL ACTIVITIES OF THAT [THE SANCTIONED ENTITIES'] GOVERNMENT":
 - RELATING TO THE DEVELOPMENT OR PRODUCTION OF MTCR-CLASS MISSILES; OR
 - AFFECTING THE DEVELOPMENT OR PRODUCTION OF ELECTRONICS, SPACE SYSTEMS OR EQUIPMENT, AND MILITARY AIRCRAFT

– ALL ACTIVITIES OF THE CHINESE GOVERNMENT IN THESE BROAD AREAS WOULD BE SUBJECTED TO THE SANCTIONS. THE ONLY EXCEPTION IS COMMERCE-CONTROLLED ITEMS, SANCTIONS FOR WHICH REMAIN LIMITED TO THE SPECIFIC ENTITIES SANCTIONED.

Q. What effect will the sanctions have on China?

A. - THE PRINCIPAL EFFECT OF CATEGORY II SANCTIONS WILL

BE TO PROHIBIT THE EXPORT TO THE SANCTIONED
ENTITIES OF SATELLITES THAT CONTAIN U.S.-LICENSED
ITEMS ON THE MTCR ANNEX.

- IT IS DIFFICULT TO BE DEFINITIVE ABOUT THE EFFECTS OF
THE HELMS AMENDMENT SANCTIONS. APART FROM NORTH
KOREA, WITH WHICH THE U.S. HAS NO TRADE IN THE
SANCTIONED AREAS, WE HAVE NO EXPERIENCE WITH
HELMS AMENDMENT SANCTIONS.

Q. Did the potential effect of the sanctions affect the decision?

A. - I WOULD POINT OUT THAT THE LAW DOES NOT PERMIT THE
EFFECT OF SANCTIONS TO BE A CONSIDERATION IN
DETERMINING WHETHER THE STANDARD TO IMPOSE
SANCTIONS HAS BEEN MET.

Note: Most items that would otherwise be affected by Category II
sanctions are already covered by the sanctions imposed
after the 1989 Tienanmien Square incidents.

Q. What about the effect on Pakistan?

A. -- THE EFFECT OF THE SANCTIONS ON PAKISTAN WOULD BE MORE LIMITED, SINCE THE U.S. PERMITS VERY LITTLE MTCR ANNEX-ITEM TRADE WITH PAKISTAN.

Q. Would the U.S. waive the sanctions?

A. -- THE LAW DOES CONTAIN A WAIVER PROVISION. WE ARE PREPARED TO DISCUSS WITH CHINA AND PAKISTAN STEPS THEY COULD TAKE THAT WOULD MEET OUR OVERALL NONPROLIFERATION GOALS AND THE PROVISIONS OF THE LAW.

Q. What impact do you expect the sanctions to have on our bilateral relations with Pakistan and China?

A. – THIS DECISION AND ITS CONSEQUENCES SHOULD NOT BE A SURPRISE TO EITHER CHINA OR PAKISTAN, SINCE WE HAVE BEEN DISCUSSING THE MATTER WITH BOTH COUNTRIES FOR MANY MONTHS.

– WE HAVE BROAD INTERESTS OF MUTUAL ADVANTAGE TO PURSUE WITH BOTH COUNTRIES, AND WE INTEND TO CONTINUE TO WORK TO FIND AREAS OF COOPERATION.

Q. Will this affect Chinese cooperation on the ship possibly carrying chemicals to Iran?

A. – WE DO NOT BELIEVE THE TWO ISSUES ARE RELATED.

– WE WANT TO CONTINUE COOPERATING WITH CHINA ON INTERNATIONAL SECURITY ISSUES, INCLUDING THE CASE OF THE YIN HE.